Morton, Oliver Perry

Speech...on the resumption of specie...

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No. 13.

SPEECH

OF

HON. O. P. MORTON,

OF INDIANA,

ON THE

Resumption of Specie Payments,

IN THE SENATE OF THE UNITED STATES, DECEMBER 16, 1868.

Mr. PRESIDENT: Among the mighty changes wrought by the war is the revolution in the character of our currency. The war found us with gold and silver a part of the circulating medium, and with a convertible paper currency, the issues of local banks created by authority of the several States. When it ended, gold and silver and this bank paper had been banished from the circulation, and in their places substituted the notes of the Government and of the national banks.

The great problem now to be solved is to reintroduce into the currency gold and silver, which can be done only by making the notes of the Government and of the national banks convertible into coin at par. These notes are now greatly depreciated, and since the 1st of July gold has fluctuated between 32½ and 49 cents premium. These fluctuations in the value of the currency affect every kind of business disastrously. The prices of provisions, goods, and labor change from month to month. Every branch of legitimate business which depends upon small but regular profits is greatly impaired. With such fluctuations in the value of the currency, in the cost of living, in the profits of business, and the value of everything that enters into trade, together with the painful uncertainty that hangs over the whole financial policy of the country, men hesitate to engage in new enterprise or to make new investments in business. The prudent capitalist is standing still, awaiting the course of events and the establishment of some definite financial policy by which he can judge of the future. It is impossible to calculate the aggregate loss to the country, even in one year, by this state of things, or to estimate the suffering and destitution produced by stagnation of business and the want of employment for labor; and it is not only the business, but the imperative duty of Congress to address itself to the great work of reform, by adopting such legislation, if possible, whereby the currency shall be made good, and business be made to flow on prosperously through its regular channels. The business transactions of the country, amounting to many thousand millions of dollars in the course of the year, are conducted through the medium of the currency, and if the currency is depreciated, fluctuating, and deceptive, the prosperity of the country must inevitably be seriously injured and its general progress and development delayed.

The question to which I invite the attention of the Senate to-day is, whether such legislation may be had, and a plan adopted whereby the currency can be made good, and the Government return to specie payments, without producing a crash or great commercial distress.

And first, I will consider some of the difficulties which, it is urged, will prevent a return to specie payments.

It is said by many that the currency is redundant, and that we cannot return to specie payments until contraction has taken place. We are referred to the fact that before the war, in 1860, the entire bank circulation was but $202,000,000, and the specie in the vaults of the banks about $88,000,000, making less than $300,000,000. But at that time gold and silver were in circulation as a part of the currency, and it is probable that there was more than $150,000,000 in the country beside that which was held in the banks. This would bring up the mixed currency to nearly $450,000,000. The Director of the Mint in Philadelphia, in 1861, estimated the amount of gold and silver in the country at $275,000,000, which is nearly fifty millions beyond my estimate. But there was another form of currency then much more in use than now, which must not be overlooked in considering the aggregate currency of the country. The paper money consisted of the issues of local banks, and was not current except in the locality of the banks by which it was issued. Then the paper money of the Northwestern, Southern, and Southwestern States was not current in New York, and was not received there in payment of debts. The bank notes of the Northern States were not current in the Southern States, and *vice versa*. Hence the payment of debts and commercial transactions between different parts of the country were conducted by bills of exchange and promissory notes, which amounted to many hundred millions of dollars during the year. This form of currency is still used, but not nearly to the same extent as before the war. Now the greenbacks and national bank notes are of equal value in every part of the United States, and are transmitted in payment of debts and transactions of business from one part of the country to another, by means of express companies and otherwise, to the amount of many hundred millions every year. The books of the express companies show an immense transportation of paper money, the amount of which cannot be accurately ascertained. But it would be a moderate computation to say that $100,000,000 of our currency are now used in that way, which was before the war supplied by bills of exchange and promissory notes. And when we consider the progress of the country since 1860, the rapid development and opening up of the Western States and Territories, the vast extension of business, the magnitude of the national debt, the necessary collection of large revenues, and the greatly increased expense of the Government in its general administration, we may reasonably conclude that there is an actual demand for an increase of the currency over the wants of 1860 to the amount of at least $150,000,000. Therefore, when you add to the actual currency of 1860 about $450,000,000, the amount of currency now used in the place of former bills of exchange and promissory notes, and the increased demand for currency otherwise growing out of the causes referred to, it is doubtful whether the currency is more redundant now than it was in 1860, when the banks were paying specie. And if not redundant, then contraction is not a necessary preliminary measure to a return to specie payments.

Again, it is said that the Government cannot return to specie payments until after we have checked the flow of our gold to Europe by largely reducing our importations of foreign goods. This is a clear case of putting the disease for the remedy. Gold, like every other commodity, is governed by the great commercial law of demand and supply. It goes where it is needed, and leaves the country where it is not in demand. In this country there is now but one demand for gold, which is to pay duties on imports. The great use to which it is ordinarily applied, to constitute a currency and medium of exchange, has been cut off for five years, and our gold has steadily flowed into other countries where it is demanded for a currency.

In whatever country paper money has been made a legal tender, it has invariably driven gold and silver from the circulation, and in great part from the country. Thus it is that Canada is now flooded with American silver. Thus it is that American gold has gone to Europe in a steady stream for five years. Thus it was during the French Revolution, when the *assignats*, a legal tender currency like our own, drove French gold into all of the neighboring countries,

so that when the *assignats* finally collapsed, as they did in a single day, France found herself almost destitute of coin. And thus it was during the long suspension of the Bank of England, when English gold went steadily out, and was only recalled by the preparations made to return to specie payments.

During the first five years of the decade ending June 30, 1868, our gold exports were $261,268,297. During the last five years of the decade, while specie payments were suspended, our exports were $413,690,000; showing an increase of $152,422,000. During the first five years our imports of gold exceeded those of the last five years $19,389,000, which, added to the $152,422,000, would make $171,811,000 of increased gold loss during the last five years. We cannot retain our gold at home except by making a demand for it. The holders of it are not patriotic enough to keep it here for nothing. If we would reduce the importations of foreign goods we must withhold the gold with which they are purchased. And this we cannot do, except by making it more profitable to keep it home than to send it abroad.

Until we create this home demand, the annual product of our mines in chief part will go to England, France, and Germany to swell the rich volume of their currency.

Again, it is said that specie payments cannot be brought about by special legislation, or materially aided thereby, but can be produced only by the operation of general causes, such as the increase of the tariff, the increase of population and development of the resources of the country, whereby the general credit of the Government will be improved. To understand the merits of this proposition we must consider what are the causes of the depreciation of the currency, and this I will do in answering another proposition which is said to present the best and readiest method of returning to specie payments. It is alleged that we can only raise the value of our currency by raising the value of our bonds in the market; that as we bring up the price of our bonds we shall thereby bring up the value of greenbacks; that we can only improve the value of the currency by improving the general credit of the Government, as shown by the value of our stocks, and to this end the surplus gold in the Treasury, and that which is to accrue, should be applied to the purchase of our bonds in the market to be canceled, thus diminishing the number of them and improving the value of the balance.

This view of the question I hold to be a total misconception. I do not believe that the existence of our bonded debt has anything, or scarcely anything, to do with the depreciation of our currency. I believe our currency would be depreciated as it is if the Government did not owe a single bond, or if all our bonds were at par. Why is our currency depreciated? And why would it be depreciated if the Government did not owe a single bond? Because the greenback note is a promise by the Government to pay so many dollars on demand, which it does not pay. The promise is daily broken and has long been dishonered. The note draws no interest, and the Government has fixed no time when it will pay it. Under such circumstances the note must be depreciated. The solvency or ultimate ability of the promisser never kept overdue paper at par, and never will. To do that, something more is required than the ultimate wealth or ability of the promisser. There must be certainty in the payment and time of payment, and if the time of payment be deferred compensation must be made by the payment of interest. Let me suppose, by way of argument, that A. T. Stewart, the great merchant in New York, should pay off his numerous employés in due bills or notes payable on demand, which draw no interest, and which he refuses to pay on demand, and will fix no time when he will. Notwithstanding his immense wealth, and his entire ability to pay, his notes would inevitably depreciate, and could only be sold at a large discount, which would be increased if it was admitted that there was no legal remedy by which he could be compelled to pay them. One of the wealthiest men in the Northwest, now dead, who left some five millions of dollars to be divided among his heirs, had an unfortunate habit of refusing to pay his small debts. Instead of paying he would give his note for them, refuse to pay the notes at maturity, suffer himself

[illegible], then hire a lawyer to fight the case. The result was that his paper was hawked about the streets at sixty or seventy cents on the dollar, while, perhaps, that of his near neighbor, who kept a small store and was only worth $10,000, but who was prompt in the payment of his debts, could be sold at a very small discount.

In overcoming the depreciation of the currency we have to overcome the difference in value between the greenback currency and the like amount of gold, and not the difference between $2,000,000,000 of bonded debt and $2,000,000,000 in gold. Even if the credit of the Government was so greatly impaired as that her bonds were not worth twenty-five cents on the dollar, still it would not be impossible to make the currency good and keep it at par. If the Government did not owe a single bond, the value of our currency could not be improved except by making arrangements to redeem it; and if the Government does make arrangements to redeem it, the existence of the bonded debt will not prevent the improvement in its value. If we should take the surplus gold in the treasury and that which is to accrue and use it in the purchase of bonds in the market, to be canceled as purchased, we should inevitably further depreciate the value of the greenbacks. The explanation of this effect is simple. By taking the gold, which is the only means by which the greenbacks can be redeemed, and applying it to the purchase of bonds, it puts the redemption of the greenbacks out of the power of the Government, and proclaims to the world that it does not intend to return to specie payments.

The proposal to improve our currency by taking our surplus gold and investing it in bonds would be regarded by capitalists as absurd. The gold thus paid out would not enter into the circulation, but would sink back into an article of merchandise, to be gambled for, as it now is, in Wall street. What would the world think of the morality of such an operation? We have $356,000,000 of the public debt overdue and drawing no interest, and we take the only means of paying this debt and apply it to the purchase, at a discount, of our bonds, which will not be due under fourteen years. What would be said of the integrity of a man who should refuse to pay his debts which are due, leaving his creditors to suffer great loss, and should employ his money to buy up, at a heavy shave, his debts that will not be due under ten or fifteen years? Plain people would call such a man rascal and swindler, and would speak of the Government in the same terms under the same circumstances. The pretence that it was done to improve the value of the currency would deceive nobody. Such a plan of returning to specie payments is worthy of the circumlocution office, and should be labeled "How not to do it."

The greenback currency is a part of the public debt, for the redemption of which the faith of the nation is solemnly pledged. The redemption of this pledge is not only demanded by every principle of national honor, but is imperatively demanded by the interests of the people collectively and individually. The currency of a country lies at the foundation of its daily business, and vitally affects the interest of every class and condition of people; and if the Government, overlooking its honor and its duty, should take the only means by which it can be improved, and apply it to the purchase of bonds which will not be due for many years, it would merit and receive the indignation and contempt of honest men everywhere.

But it is said that if the Government reserves and holds the surplus gold in the treasury, to be applied to the redemption of the greenback currency at some future time, to be fixed by law, it will suffer great loss in the interest on the gold thus held in reserve. In one point of view this objection is well taken. But what else can we do? Is it not a difficulty to be encountered by every debtor who collects and holds the money wherewith to finally pay his debts? If a man owes one thousand dollars, can he pay it in any other way than by collecting the money for that purpose, and holding it until he gets enough to meet his debt? The Government owes a debt which can only be paid in gold, and it must, if it intends to pay it, collect the necessary amount in gold. If the debt was of that nature that the gold could be paid out on it as soon as collected, of course it should be done; but the debt is not of that nature. If the Government

should pay out the gold as fast as it is received in the redemption of the greenback currency, it would fail to bring the remainder of the currency up to par, and the gold thus paid out would not enter into the circulation, but would sink back into an article of merchandise such as it now is. The redemption of the greenback currency should not begin until the Government is prepared to redeem all that may be presented; for this would at once bring the whole body of the currency to par, and the gold paid out would go into the circulation and take the place of the paper money redeemed. But if paid out by piecemeal in advance, it would not go into circulation or bring up the balance of the currency to par. But what will be the actual loss of the interest on the gold held in reserve compared with the loss sustained by the great mass of the people in their labor, trade, and property—to be suffered by the continuance of the present condition of the currency? Scarcely as one dollar is to a hundred. The losses by the failure to employ labor—by the stagnation of business—by the paralysis of trade—by the delay in general progress and development, brought about by depreciated currency, when estimated in dollars, would form a vast sum, compared with which the loss of interest on the reserved gold would be a mere bagatelle.

But if we do not obtain the gold to redeem the greenback currency in the manner proposed, in what other way or at what time shall it be obtained? Shall the Government go into Wall street and buy it, like the importers or the gamblers? Or shall we sell new bonds in Europe at seventy or seventy-two cents on the dollar, and obtain it in that way? Will it be easier to begin the process at the end of five years, the nation suffering in the meantime all the evils and losses of depreciation? Shall the nation stand shivering for years on the banks of this Jordan, and then make the plunge when the waters are deeper, swifter, and colder than now? Such is not the part of wisdom or patriotic statesmanship.

If an individual fails to pay his debts, payment may be enforced by the law against his property, but against the Government there is no such remedy. What would be mere neglect or failure, therefore, on the part of an individual, would be repudiation by a government.

If the greenback note is to be regarded as an obligation, for the payment of which the faith of the Government is pledged, the continued failure of the Government to make any provision for its redemption cannot be regarded in any other light than repudiation. When the first of these notes were issued it was provided that they might be funded into the Five-twenty bonds, but that provision was shortly after repealed, and they now stand in the nature of a forced loan, drawing no interest, and, for all that appears, are to be left to perish in the hands of the people.

If, when the Five-twenty bonds fall due, the Government should fail to pay them, or to make any satisfactory provision for funding them into a new bond, the cry of repudiation would at once be raised; and yet it cannot be shown that the legal and moral obligation to pay those bonds at maturity is greater than that resting on the Government to make prompt provision for the redemption of the greenback currency. The legal obligation is no greater, and the moral obligation hardly so strong; for the greenback notes are in fact the people's bonds—the bonds of the million—in which are invested the laborer's toil and the meagre profits of the humble occupations in life, which, more than any others, demand the fostering and protecting care of the Government.

But, while it is true that the discount on our bonds has little, if anything, to do with the depreciation of our currency, it is also true that the depreciation of the currency has much to do with the discount on the bonds. I do not believe that our bonds will ever reach par, or approach it nearly, until the currency is made good.

The legal-tender currency of a country bears an intimate, and, perhaps, a mysterious relation to every form of credit and security, both public and private, and, if it be depreciated, inevitably drags them down to its own level. This I state as a general proposition, to which there may be a few exceptions, dependent upon grounds which can be readily explained. The legal-tender currency is at par in contemplation of law and in the payment of debts, though it may not be worth six cents on the dollar. It is

the "par" and measure of price and value recognized in all the ordinary business of the country. The prices of property and all articles of trade are not given at so much in gold, but in greenbacks, and the legal tender value of the greenbacks is so identified in the public mind with the measurement in price of every species of property, merchandise, and labor, that it assimulates to itself as well the price of securities, even though by their terms they may be made expressly payable in gold.

We find a full illustration of the operation of this principle in the history of the Five twenty and Ten forty bonds. These bonds were sold at par by the Government for greenbacks, when the greenbacks ranged in value, at different times, from ninety to thirty-four cents on the dollar. Whatever might be the value of the greenback dollar, the bonds were still sold at par for that dollar, and such is the measure of value to day in the markets of the world. The Five-twenty bond is sold at 110, 111, 112, and 113 in greenbacks in the New York market. The premium grows out of the semi-annual payment of a large interest and it is hardly so large as the premium which was paid on United States six per cent. stocks, before the war, in gold. So that, in point of fact, the par value of these bonds in New York is measured by the legal "par" of the greenback currency. The value of the Ten-forty bonds in the market, although, by their express terms, payable in gold, is governed by the same legal "par," and what is true of the market value of these bonds in the United States is equally true of their market value in Europe. *Here* their price is calculated in greenbacks, and *there* in gold. *There* the price has ranged from sixty to seventy-two cents on the dollar in gold, and is always kept within the gold value of the greenback currency in New York, perhaps with the addition of two or three cents, growing out of the premiums paid for them at home on account of their large interest. They have not been able to escape from the thraldom of the greenback currency, either at home or abroad, and never will while it remains in circulation. As the value of our legal-tender currency goes up, the price of our bonds will go up with it; and what is true of Government securities is equally true of the great mass of American securities, public and private. State stocks that were at par in gold before the war are now at par in greenbacks, although they are certainly as good now as they were then. Their gold value has fallen off twenty-five to thirty per cent. To this statement there are two exceptions—the stocks of Massachusetts and California, which have maintained their former price in gold, because the interest has always been paid in gold, and few, if any of them, are on the market. Railroad bonds—which, as a general thing, are worth more now than before the war, because the floating debts of the companies have been paid off, and their business generally improved—that were about par in gold before the war now command about the same price in greenbacks, showing that their gold value has been reduced from twenty five to thirty per cent. Of course the relative prices of bonds are not entirely uniform, because various circumstances enter into them; but it will be found on examination that they bear about the same general price in greenbacks that they did in gold before the war.

Another obstacle to the adoption of any plan for returning to specie payments is the cry that the right way to resume is to resume at once. I have labored to find that this means anything but the indefinite postponement of resumption. Every one must comprehend that the Government cannot redeem the greenback currency without first collecting the gold to do it with; that it cannot return to specie payments by contraction without taking time to contract, with all its attending calamities; that, in short, there is no process by which it can be done, however ruinous, that does not involve time. If the Government should pay out the seventy millions surplus gold now in the treasury, in the redemption of an equal amount of greenbacks, the whole country would know that it was not prepared to redeem any more. The gold paid out would not pass into circulation, but sink back into an article of merchandise, the balance of the greenback currency be but little improved, and the net result of the operation would simply be the contraction of the currency to the extent of seventy millions, and the indefinite postponement of the redemption of the balance.

But the great obstacle to the return to

specie payments, and the one which we will have the greatest difficulty in overcoming, is the interest against it. The premium upon gold, and the advantages it gives to certain classes over others, was unavoidable in the beginning, but should not be allowed to continue a single day longer than is necessary. The present condition of things produces great inequalities among the people, which, if longer continued, will give rise to heart-burnings and tend to demoralize the public sentiment in relation to our national obligations.

To illustrate, I will suppose that A has an income of $5,000 in gold, derived from interest on United States stocks. Upon this he would pay an income tax in currency, but no tax on the stocks from which it is derived. When this income is converted into currency it will net him about $7,000. On the other hand, B has an income of $5,000 in currency, derived from agriculture, merchandise, or manufactures, and pays a tax of at least two per cent. on the appraised value of the different kinds of property from which this income is derived. This will reduce his income probably to $3,500, upon which he pays an income tax, leaving a balance in favor of A as between them of $3,500.

To illustrate again: A is the owner of $10,000 Five-twenty bonds, from which he derives an income of $600 in gold. This gold, when converted, will realize $800 in currency, and upon his bonds he pays no tax whatever. B is the owner of $10,000 in six per cent. railroad bonds, from which he derives an income of $600 in currency, and upon these bonds he pays at least two per cent. for State and county purposes, which will reduce his income to $400—just one half the amount of A's. B may, perhaps, not feel very comfortable over this state of things, and will be lead to inquire into the causes of this gross inequality. He will be told that so far as it arises from taxation it is unavoidable, as the States cannot tax Government securities; but so far as it arises from the condition of the currency speedy relief may be afforded by the Government if it will. Equal rights are the gift of God to all men, and equal conditions in society, equal facilities for acquiring wealth, equal rewards for labor, and the equal support of public burdens should be given by every government to its people so far as it may be possible. To the man who lent his money to the Government to carry on the war for the suppression of the rebellion I am grateful. Whatever may have been his motives, he was a public benefactor, and entitled to the thanks of the nation. To him the Government must keep faith, whatever that faith may be; for good faith covers a nation like a clear and refreshing atmosphere, which imparts health and vigor to men, and through which all nature seems beautiful and bright. But when faith is broken, it is as if the air were filled with noxious vapors, which obscure the sight, impair the health, and end in darkness, disease, and death. But, while our creditors should receive all that they are entitled to in law and equity, it is not bad faith to improve the condition of the balance of the people, and bring them up as nearly as possible to the same prosperous level. The exemption from taxation is a legitimate advantage, as it results from the nature of their securities; but the additional profit of a premium on their gold was accidental in the beginning, and if continued for their benefit, and beyond the necessity which created it, would become fraudulent to the rest of the nation.

The credit of the Government of the United States was never so good as it is now. There is more confidence to day in the perpetuity of the Government than ever before. It has been tried as no existing Government ever has, and in the midst of the deadly struggle, when its life seemed to hang upon a thread, revealed the existence of a credit and of vast resources that astonished the world. At the beginning of the war, and before, it could not borrow a dollar in Europe, and can scarcely be said to have had any credit; and this was one of the things relied upon by the conspirators in their calculations as to the amount of resistance it could make to the rebellion. Its resources never developed so rapidly as now, were never so well understood as now, and the faith of the people in the destiny of our country is greater than ever before. While there are very few men in the country who doubt the ability of the Government to pay off the whole debt, I have never met with one who doubted its ability to redeem or pay off the legal-tender

notes. In regard to the redemption of these notes it has never been a question of *ability*, but of *purpose;* and to say that these notes cannot be paid until the general credit of the Government is improved by the expenditure of some hundreds of millions in the purchase of bonds that will not be due for years is to fly into the face of common sense and insult the intelligence of the people.

If, as I have before said, there is an intimate and inexorable relation existing between the legal-tender currency of a country and its public securities, by which the value of its securities can never get beyond that of the currency in which the business of the country may be said to "live, move, and have its being," then the application of the gold to come into the treasury for the next five or ten years to the purchase of bonds could add but little, if anything, to the value of the rest of the bonds or the currency. But one thing is certain, that while nobody doubts the ability of the Government to pay the notes by making reasonable preparations, if the Government neglects or abandons the currency, under whatever pretence or disguise, and applies it surplus revenues to the purchase of bonds, with a view to improve the value of the rest of them, and thus legislate for the benefit of a class—the only class in this country doing well enough, and better than any other—the currency will sink from that hour, and the very foundations of good faith will be shaken. Such legislation would be notoriously and wickedly partial and unjust. What would be thought of a great railroad corporation that should refuse to pay its overdue floating debt, and apply its current revenue to liquidation of its long bonds, under the pretence that it would thereby improve its ability to pay its floating debt? But such legislation would be as stupid as it would be wicked, for the depressed currency would inevitably carry down the bonds in its close embrace. While our overdue paper, drawing no interest, and for which no time of payment is fixed, and no preparation made, must necessarily be depreciated as it now is, still that depreciation would be far greater but for the general faith existing among the people that the Government will speedily make arrangements for its redemption. When this faith is broken the currency will sink lower, and sink rapidly.

The Secretary of the Treasury, in his last report, after making an able argument to show the evils of a depreciated currency, begins his discussion as to the means of returning to specie payments with the following statement:

"The Secretary still adheres to the opinion so frequently expressed by him, that a reduction of the paper circulation of the country until it approached to the specie standard was the true solution of our financial problem. But as this policy was emphatically condemned by Congress (and it is now too late to return to it) he recommends the following measures as the next best calculated to effect the desired result."

Here the Secretary reiterates his former opinion, that by largely contracting the paper currency the rest of it would be appreciated to par. How such contraction would have this result he has never shown, and the opinion results from a misapprehension of the causes which depreciate the paper currency. Suppose the greenback currency was contracted down to one hundred millions, could the remaining hundred millions be brought to par in any other way than by making arrangements to redeem it?

You cannot pay a debt without paying it and every trick or device to bring the currency up to par without making preparations to redeem it according to the promise on its face will be abortive and disastrous. The currency is depreciated because it is overdue and dishonored, draws no interest, and there is no time fixed or preparation made for its redemption; and these causes would depreciate it if there were but one million of it afloat. The effort to force depreciated and irredeemable paper up to par by making it scarce and pinching the people is like an attempt to enhance the price of unwholesome provisions by producing a famine.

The means he suggests for returning to specie payments are twofold. The first is to legalize specific contracts to be executed in coin. I voted for a bill for that purpose last session, without much consideration, and have since become satisfied it was an error. The unwary would be enticed into such contracts by the crafty, and those in straightened circumstances or under heavy

pressure would be forced into them. No man can safely make a contract, to be executed in coin, while the currency is depreciated and the financial condition of the country is fluctuating. Such contracts, where not brought about by coercion and fraud, would be in the nature of gold gambling—the one party trusting that gold would be at a large premium when the contract was due, and the other that it would command little or none. It could hardly be distinguished from a contract for the delivery of gold at a future time. Should coin contracts be legalized, however, as proposed, it should only be in connection with some general plan to return to specie payments at a fixed period. But aside from the evils and hardships to result from such contracts, how could they appreciate the value of the currency any more than common contract for the future delivery of gold? They would not constitute any preparation on the part of the Government for the redemption of the currency, and therefore could not, any perceptible extent, appreciate its value.

The second means for returning to specie payments is contained in the following passage from the Secretary's report:

"And he, therefore, recommends, in addition to the enactment by which contracts for the payment of coin can be enforced, that it be declared that after the first day of January, 1870, United States notes shall cease to be a legal tender in payment of all private debts subsequently contracted, and that after the first day of January, 1871, they shall cease to be a legal tender on any contract, or for any purpose whatever except Government dues, for which they are now receivable. The law should also authorize the conversion of these notes at the pleasure of the holders into bonds bearing such rate of interest as may be authorized by Congress on the debt into which the present outstanding bonds may be funded."

It is not enough, it seems, that the currency is already depreciated thirty per cent.; that the Government has violated its contract with the holders, and dishonored its pledge; but it is now proposed to strike off at least one third of its market value, by stripping it of its legal-tender character. Its legal-tender character, by which it is made lawful money, and may be used in the payment of debts, has added at least one-third to its current value. And this heavy loss the Secretary proposes to inflict upon the holders of the currency at the times mentioned. The Government could be guilty of no clearer act of repudiation. To strike off one-third of their value in the hands of the people does not differ in principle from making them wholly worthless. While they are depreciated and unprovided for, the Government has no right to withdraw from them any element which goes to constitute their value.

To show that such a measure would be repudiation in fact, let us consider the character of the contract between the holder of a greenback note and the Government. It is to pay so many dollars to the bearer or holder on demand. This is the original contract between the Government and the holder. The privilege of funding the notes into the Five-twenty bonds, conferred by the act of February 25, 1862, and which the Secretary proposes to reëstablish, only reducing the interest on the bonds, is a mere collateral privilege, and in no wise affects the right of the holder of the note to demand the performance of the original contract printed on its face. When the Government, therefore, refuses to perform the original contract, and throws the holder entirely upon his collateral privilege of funding the notes into bonds, the act forms the clearest possible definition of repudiation, and does not differ in principle from the proposition of the President to apply the payment of the interest to the extinguishment of the bonded debt. When the greenbacks have been brought to par, and the Government stands ready to redeem them, then, and not till then, can their legal-tender character be taken away without repudiation.

Suppose that Congress should pass a bill providing that when the Five-twenty bonds are due the holders may fund them into a three per cent. bond, and that if they refuse to exchange the Government will make no provision for their payment. The Secretary would call that repudiation, and yet the case is different in no respect from what he proposes. The greenback note promises to pay so many dollars on demand. The bond promises to pay so many dollars

at a particular time. The greenback note declares that it is "a legal tender for all debts, public and private, except duties on imports and interest on the public debt," which gives it one-third its current value. The bond promises to pay six per cent. in gold, which is its chief element of value. The greenback note promises to pay to the bearer, and so does the bond. The title to each of them passes by mere delivery, and there is no more personality about the one than there is about the other. The moral and legal obligations of the one promise are precisely equal to those of the other, and Congress has as much right to strike out the interest on the bond as to strike out the legal-tender clause on the note. The value of the greenback note may be so depreciated as to make it the interest of the holder to fund it into a bond bearing the very lowest rate of interest, or no interest at all, and Congress might by legislation so impair the value of the Five-twenty bonds as to make it the interest of the holder to exchange it for a bond drawing interest only at the rate of two per cent. The Secretary proposes to take from the greenback currency one-third of its current value by striking from it its legal-tender character, and then authorizing the holder to fund it into a bond drawing a low rate of interest, at the same time telling him, in substance, that this is a final measure, and that if he does not fund he will get nothing.

But it is true that by stripping the currency of its legal-tender character the country will at once be brought to specie payments—that is to say, there will then be no lawful money but gold and silver, which would be a legal tender in payment of debts, and every man would be required to pay coin on his contracts. But the Secretary could not afford to strike down the value of the currency in this way without suggesting some provision for it, and so, notwithstanding the fact that he had just said that the policy of contraction had been emphatically condemned by Congress, and it is now too late to return to it, he says the law stripping the notes of their legal-tender character should also provide for funding them into bonds at the pleasure of the holder, bearing such rate of interest as may be authorized by Congress on the debt into which the present outstanding bonds may be funded. It may well be imagined that the holders of the notes will then be ready to fund them in any sort of bond. But what is that but contraction pure and simple?

The Secretary's policy travels in a circle, which invariably brings him back to contraction. He proposes nothing for redemption, and offers only that policy which he says has been emphatically condemned by Congress, and as emphatically by the country. Contraction is the "Sangrado policy" of bleeding the country nearly to death to cure it of a disease which demands tonics and building up. The withdrawal of even $100,000,000 of the circulation would produce great stringency in the money market, innumerable bankruptcies, and most likely result in panic and crash, from which the country would not recover for years, and during which the power of the Government to fund the debt and redeem the balance of the greenback currency would be paralyzed. To contract the currency to the extent of funding all the greenbacks would be financial suicide—would precipitate a disaster to the trade, industry, and prosperity of the country, for which there is no example in history. We must not return to specie payments in that way. We must descend the mountain by easy slopes and gentle curves, though it may take much longer, rather than spring from the top of the precipices, to be dashed in pieces at the bottom.

But it is broadly intimated by the Secretary that the Supreme Court will decide the laws making the greenbacks a legal tender in payment of debts to be unconstitutional, and therefore void. If the deed is to be done let it be by the court, and not by Congress. But it would have to be a very clear case that would justify the court in making a decision fraught with such terrible calamities to the country. If there be doubts hanging about the question they should be cast in favor of the legislation of Congress and the preservation of the vast interests that are dependent on the maintenance of the law. The Supreme Court, having jurisdiction over questions involving vast political, commercial, and social interests, should be something more than the rigid expounder of statutes or collator of precedents, and should view such questions as statesmen as well as lawyers.

It was Lord Mansfield who plucked up

by the roots the hoary abuses of the law, however deeply imbedded in ancient authorities, and who, in the construction of statutes and settlement of great questions, decided them in accordance with the progress of the times and the new conditions of society, and thus rendered himself immortal in the history of jurisprudence.

Believing, as I do, that these laws are constitutional, and were imperatively necessary at the time of their passage, I should look upon a decision by which they would be suddenly destroyed with horror, and the court making it would descend in history as the author of the most appalling financial disaster that ever occurred in any country. But I have full faith in the learning, ability, and patriotism of that august tribunal, and believe it will not render its decision until the question has been viewed in all its bearings and consequences. To return to specie payments without a crash is the great *desideratum*, and this can only be done by making the process gradual. *Time* is a necessary element, and the first question to be considered is the period which should be fixed by the Government to begin the redemption of the greenback notes, and in my bill I have stated the 1st day of July, 1871. Fixing a time must be the starting point of any plan which proposes to bring about a resumption without crash and disaster.

In proposing to give two years and a half to begin the work of redemption, I have several objects in view.

First. By establishing the period of redemption a fixed value is given the greenback note. Now its gold value is fluctuating and deceptive, sometimes varying as much as ten per cent. in sixty days, and scarce ever remaining the same for a week at a time. But by fixing a time for its redemption a certain value is given to it. If the note is to be paid in gold on the 1st of July, 1871, its value can be determined by the ordinary rules of discount, and will steadily improve as the time for its redemption approaches, and other preparations being properly made, it will be at par on or before the day fixed for redemption by gradual appreciation. By fixing the time for redemption, one chief element in the value of all commercial paper is gained—that of certainty in the time of payment.

Second. By fixing the period of redemption the country is notified, and may be prepared for the change. People will have it in view in making new contracts and arrangements in business, and debtors, fearing a decline in the price of produce, will make haste to pay their debts. During this two and a half years the great body of existing debts among the people will be paid. The debts now contracted, which will not fall due for two years and a half, are very small, and generally for real estate. The great difficulty generally attending the improvement in the value of the currency and the resumption of specie payments where they have been suspended is the reduction in the nominal prices of property and labor, which operates injuriously upon the debtor class. It is generally true that as the purchasing power of the currency is increased the nominal prices of property are diminished. But this effect is sometimes counteracted by the increase in the volume of the currency. The inflation of the currency, even though it be composed of gold and silver exclusively, increases the nominal prices of property, of which we have a notable instance in the history of Spain. When resumption takes place all the gold and silver will be set free and poured into the volume of the currency, thereby inflating it to a considerable extent, because the whole amount of gold and silver is very much greater than the whole amount of greenbacks that will be presented for redemption. But, as before stated, the period of redemption is postponed so long that the great body of the existing debt will be paid before it arrives, and the declension in the prices of property, which is likely to be small, would affect but a very limited class, and would scarcely reach the general business of the country. The time given is so long that it will become stale in the public mind—all excitement and panic will pass away, and the change come so gently on that people will almost have forgotten it when it arrives.

Third. By fixing the period of redemption so far on the Government will have time to collect the amount of gold that will be necessary.

And, first, I will consider theamount of gold that will probably be required, and with which it will be safe to begin redemp-

tion. It is shown by the history of banking that solvent and well conducted banks can safely carry on operations when they have one dollar in gold in their vaults to three dollars of their circulation. It is also shown by bank history that banks which have suspended specie payments, but whose solvency and good management are not suspected, have been able to resume when they have gotten into their vaults one dollar in gold to two and a half dollars of their circulation. The credit of the Government is better than that of any bank, and it can, in my opinion, resume on a smaller proportion of gold than any suspended bank under the old system. The greenback notes, notwithstanding their depreciation, have one great merit which did not belong to the paper of any of the old State banks, which is that they are of uniform value in every part of the United States. They are far more convenient than coin for all business purposes They can be sent to every part of the country in payment of debts, better and cheaper than the transportation of coin. The traveler from Maine to Minnesota can carry fifty thousand dollars of it about his person, without inconvenience or observation, saving to him the labor and anxiety of carrying coin, or the purchase of a bill of exchange. If brought to par, they would be the most desirable currency the country has ever known, and the causes which usually bring about a run on the banks for gold would not operate against them, or have any effect upon their value. Under the old State bank system, to which it is hoped the country will never return, there was a far greater demand for gold than would occur under the present. The banks being local in their character, and their paper not current in distant parts of the country, led to a demand on them for gold by travelers or those who had debts to pay at distant points where their notes were not current. From these and other considerations it is doubtful whether as much as one hundred millions of greenback notes would be presented for redemption. When the greenback note is as good as gold then the people will not want gold, unless for specific purposes, for it would be an inconvenience and burden.

The whole question may be thus stated If the Government is strong with gold to redeem all the notes that may be presented, but little gold will be demanded, because it will be worth no more than greenbacks; but if the Government is weak and only able to redeem a small part of the currency, the gold will be hastily drawn out to sell in the market at a profit.

It is true there are $300,000,000 of national bank notes in circulation, for the redemption of which the Government is bound, under the conditions of the national banking law, and it has been urged that when the period fixed for redemption arrives the national banks would immediately rush to the treasury with all their greenback reserves and drain it of a large portion of its gold. To avoid this difficulty, and to make the process still more gradual and to avoid all rush upon the treasury or banks, I propose, by my bill, that the banks shall not be required to redeem their notes in specie until the first of January, 1872, and during the preceeding six months shall be required to hold in their vaults the same amount of greenback reserves, in which they may, as now, redeem their notes. If during that period they are required to hold their greenback reserves, as now, of course they cannot rush to the treasury with them to get gold, and at the end of this time the Government will be able to meet their demands without trouble or danger. To give the banks six months to redeem their notes in gold—and perhaps I may move to make it a year—beyond the time when the Government begins the redemption of the greenback currency, will be no hardship to the Government or the people; for national bank notes being convertible into greenbacks, they will be of equal value and at par, and persons holding the bank notes, who want gold for them, will only have to present them to the banks and receive greenbacks in exchange, on which they would get the gold.

And now I will consider the question *how* the Government shall procure the gold to commence the work of redemption.

To this I answer that the sales of gold by the Secretary of the Treasury must be stopped, and the surplus gold now in the treasury, and that which will accrue thereafter, over and above the sums required to pay the interest on the public debt, and for

specific uses, shall be reserved and set apart for the redemption of the greenback notes. There is now in the treasury a surplus of not less than $70,000,000, and the accruing surplus under the present tariff, for the next two and a half years, cannot be less than $100,000,000, which will together make $170,000,000.

It is very difficult to form an estimate of the amount of gold in the country. The Director of the Mint in Philadelphia, in 1861, estimated the amount of gold in the country at that time to be $275,000,000, which I have no doubt was much short of the actual amount.....................$275,000,000

The Comptroller of the Currency (Mr. Hulburd) in his report last year estimated the gold product from our mines from 30th June, 1860, to 30th June, 1867, at	$411,320,000
The imports of gold from abroad during the same period were....	78,933,587
The products of the mines during the year ending June 30, 1868, are estimated at...................................	75,000,000
Making in the aggregate........	$840,253,587
To which may be added the gold circulation in California and other gold-producing States, not included in the above calculation—estimated at....	50,000,000
Making in all........................	$890,253,588
Deducting the amount of gold exported during the same period..........	477,740,908
Leaves a balance of..............	$112,5 2 680
There is also another large import of gold into the country from Europe of which there is no official record, the amount of which can only be guessed at. I mean that which is brought in small sums by emigrants, who come to our country at the rate of half a million a year. I have heard various conjectures as to the amount thus brought to the country, and none have put it lower than $20,000,000 per annum for the last eight years, making the sum of.........................	160,000,000
Which, added to the above, makes a total sum of..........................	$572,512,680

But to make allowance for mistakes and exaggerations I estimate the gold and silver coin in the country at $375,000,000.

The product of the mines for the year ending June 30, 1869, may be safely estimated at $75,000,000, and after that $100,000,000 per annum. When the Pacific railroad is completed, which will be next year, the facilities for getting to the mines in California, Nevada, Idaho, Colorado, Utah, and Montana, and for the transportation of heavy machinery necessary for quartz mining, will be greatly increased, and must add very largely to the gold and silver product.

But after all the question of the amount of gold in the country is by no means so important as might at first be supposed. When the greenback notes begin to appreciate in value our bonds will inevitably advance along with them, and it will be a very easy matter for the Government *then* to procure enough gold abroad, on its bonds, added to that which is in the treasury, to redeem the whole greenback circulation; and to this end I have in my bill provided that the Secretary of the Treasury may, as the time for redemption approaches, negotiate bonds for the purpose of procuring gold sufficient to complete the work of redemption.

But it has been said that if the Government reserves the surplus gold in the treasury, as proposed, it would become scarce in the market and difficult for importers to obtain enough with which to pay duties. This objection might have some force were it not for other considerations. When the Government fixes the time for the redemption of the greenback notes, those who have been hoarding gold will think the time to sell it has come. If they hold it until the time of redemption comes, it will be worth no more than greenbacks. It would be better for them to sell when the premium is thirty-five cents than to hold it until the premium is only twenty-five or ten cents; and the natural, and I may say the inevitable, effect of fixing a time for redemption will be to throw a large amount of gold into the market that has hitherto been hoarded. It will then be better to hold greenbacks which are appreciating than gold which will soon lose its premium. Beside this, reserving the gold in the treasury creates a demand for it, and brings into operation the law which I have elsewhere discussed—that supply is governed by the demand.

The currency is not redundant, as I have before undertaken to show; and contraction should not come this side of redemption, and only by the act of redemption. The greenback notes redeemed may be canceled, and the coin paid out for them will take their place in the circulation, and the currency will become mixed, but the volume of it will not be diminished. Bringing the greenback notes to par will, in chemical language, "set free" all the gold and silver in the land, and pour them into the volume of the currency, thus inflating

it, but the inflation will be legitimate. Then national banking may be made free, limited and restrained by the requirement of redeeming their notes in coin. Then there will be one currency for all the people, and one man's income will be equal to another's of like amount. Then our bonds, having kept pace with the appreciation of the currency, will be at par, and their disastrous flow to Europe will be checked. Then the Government can sell a four per cent. bond in the market at par, and with the proceeds pay off the present bonds, if the holders refuse to exchange them, and thus reduce the aggregate interest on the debt more than $40,000,000 per annum. Then the business of the country will be upon solid foundations and its prosperity enduring. At the end of two years reconstruction will in all probability have taken place; the blessings of peace will prevail throughout the land; the prosperity of the South in great part restored, and cotton, though never more called king, will play its former part in our foreign exchanges.

After the ocean has been swept by angry tempests, that have engulphed gallant fleets and strewed the shores with wrecks and the bodies of the dead, comes a calm. The mountain waves sink to gentle billows; the fierce gale lulls to a prosperous breeze; the sun shines forth in splendor, and the surviving mariners with joyful hearts again spread their sails, resume their courses, and speed away to their destined haven. So with our country when peace, reconstruction, and resumption have come.

It has been swept and rent by the storms of civil war. The land was strown with the dead, and everywhere are visible the vestiges of the conflict. But peace has come, and with it reconstruction. The bright sun of prosperity shines forth in a cloudless sky. Industry, trade, and commerce again flow in their accustomed channels with accelerated currents. The tide of emigration, rising higher and higher, sweeps across from the Old World. The wilderness of the West yields up its golden treasures and blossoms as the rose, and our country moves on gloriously to its great and final destiny.

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TITLE